

Message Text

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INFO AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L MOSCOW 4981

E.O. 11652: XGDS-1

TAGS: ENRG, ENRO, BEXP, PFOR, AR, US, UR

SUBJECT: US PARTICIPATION IN PARANO MEDIO PROJECT

REF: BUENOS AIRES 2230

1. (E.O. 11652: GDS) SUMMARY: WE WOULD LIKE TO URGE DEPARTMENT'S CAREFUL ATTENTION TO THE POLITICAL IMPLICATIONS OF THE ARGENTINE IDEA OF U.S.-SOVIET COLLABORATION ON THE PARANA MEDIO PROJECT, WHICH, AS FAR AS WE KNOW, WOULD BE UNPRECEDENTED. WE BELIEVE THAT BOTH THE TIMING AND LOCATION OF THIS PROPOSAL ARE INAUSPICIOUS. AND WE WONDER--IN VIEW OF DIFFERING U.S. AND SOVIET POLITICAL OBJECTIVES IN LATIN AMERICA--WHETHER U.S. INTERESTS WOULD BE SERVED EVEN BY A VAGUE EXPRESSION OF OFFICIAL INTEREST. IF DECISION IS MADE TO EXPRESS GENERAL U.S. INTEREST, IN EMBASSY'S VIEW WE SHOULD MAKE IT CLEAR THAT WE ARE REFERRING TO THE PARANA MEDIO PROJECT PER SE, AND NOT TO THE IDEA OF A JOINT UNDERTAKING WITH THE SOVIETS. OUR SOUNDINGS HERE TEND TO CONFIRM REFTEL'S REPORT THAT THE SOVIETS ARE SO FAR COMMITTED ONLY TO ASSIST WITH STUDYING THE FEASIBILITY OF THE PROJECT. END SUMMARY.

2. THE EMBASSY IS CONCERNED ABOUT THE POLITICAL IMPLICATIONS OF POSSIBLE SOVIET-U.S. COLLABORATION ON THIS PROJECT. IN PARTICULAR, WE THINK THESE QUESTIONS SHOULD BE CONSIDERED: IS THIS AN APPROPRIATE TIME, GIVEN THE CURRENT SENSITIVITY

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OF BILATERAL U.S.-SOVIET RELATIONS, TO BE MOVING TOWARD A

NEW AND UNCHARTED FORM OF ECONOMIC COLLABORATION WHICH HAS A HIGH POTENTIAL FOR GOING SOUR? EVEN ASSUMING THAT IT IS, DO WE WISH IN EFFECT TO CONTRIBUTE TO THE ENHANCEMENT OF SOVIET PRESTIGE IN ARGENTINA AND LATIN AMERICA GENERALLY? SHOULDN'T WE TEST THE CONCEPT IN A PART OF THE WORLD WHERE U.S. INTERESTS ARE LESS IMPORTANT VIS-A-VIS SOVIET INTERESTS? IF THE PROJECT SUCCEEDS, WHO WOULD GAIN THE MOST? IF IT FAILS, WHO WOULD BE BLAMED THE MOST? WHAT IS THE PROPER BALANCE BETWEEN THE RISK OF MAKING THE U.S. HOSTAGE TO SOVIET STANDARDS OF PERFORMANCE AND THE RISK OF THE SOVIETS TAKING ON THE WHOLE PROJECT AND THEREBY ESTABLISHING A HIGH-VISIBILITY PRESENCE IN ARGENTINA? WE BELIEVE THAT THE ANSWERS TO THESE AND RELATED QUESTIONS SHOULD BE CAREFULLY STUDIED BEFORE THE USG SAYS ANYTHING AT ALL ABOUT OUR POSSIBLE INTEREST IN SUCH AN UNDERTAKING.

3. IF THESE POLITICAL QUESTIONS CAN BE ANSWERED SATISFACTORILY AND WASHINGTON DECIDES TO GO AHEAD WITH AN EXPRESSION OF INTEREST, EMBASSY BELIEVES THAT IT IS ESSENTIAL TO SEPARATE CLEARLY THOSE PARTS OF PROJECT TO BE FINANCED AND CARRIED OUT BY EACH SIDE IN ORDER TO AVOID RECRIMINATIONS LATER AS PROBLEMS UNAVOIDABLE IN SUCH LARGE AND COMPLEX CONSTRUCTION BEGIN TO DEVELOP. TO THE BEST OF OUR KNOWLEDGE, THIS HAS BEEN THE GENERAL APPROACH THE SOVIETS HAVE TAKEN IN SIMILAR THIRD-COUNTRY JOINT PROJECTS WITH OTHER WESTERN COUNTRIES. IN ANY CASE, WE BELIEVE THAT IF THE USG DECIDES THAT IT MUST SAY SOMETHING, WE SHOULD LIMIT OURSELVES TO EXPRESSING INTEREST IN THE PROJECT ITSELF, AND NOT IN THE ARGENTINE CONCEPT OF U.S.-SOVIET COLLABORATION. (END GDS)

4. (E.O. 11652: XGDS-1) AT THIS STAGE, IT SEEMS TO US THAT THE SOVIETS ARE COMMITTED ONLY TO STUDYING THE FEASIBILITY OF THE PROJECT, JUDGING BY OUR DISCUSSIONS WITH ARGENTINE EMBASSY ECONOMIC OFFICER GIBBONS AND WITH AN OFFICIAL OF THE SOVIET STATE COMMITTEE FOR FOREIGN ECONOMIC RELATIONS INVOLVED IN THE PARANA MEDIO PROJECT. (THIS TENDS TO CONFIRM THE STATEMENT OF THE SOVIET ASSISTANT COMMERCIAL ATTACHE IN BUENOS AIRES, REFTEL.) EMBOFF WAS TOLD THAT SOVIET TEAMS HAVE MADE FOUR VISITS THUS FAR ON FEASIBILITY WORK AND THAT A SPECIAL CONFIDENTIAL

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OFFICE HAS BEEN ESTABLISHED IN BUENOS AIRES TO HANDLE THE PROJECT. THE OFFICE IS NOW REPORTEDLY MANNED BY TWO SOVIETS, WITH ONE MORE TO BE ADDED BY JUNE. IT SEEMS STILL TOO EARLY FOR ACCURATE ASSESSMENT OF OVERALL SOVIET INTEREST IN PROJECT, INCLUDING USSR'S READINESS UNDERTAKE WHOLE PROJECT, INCLUDING CIVIL WORKS, ALONE. (END XGDS-1).
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